Karoo Hoogland Local Municipality
Annual Financial Statements
for the year ended 30 June 2018
Published 31 August 2018

Karoo Hoogland Local Municipality

Annual Financial Statements for the year ended 30 June 2018

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Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality’s business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality’s cash flow forecast for the year to 30 June 2019 and, in the light of this review and the current financial position, he is satisfied that the municipality has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 3.

The annual financial statements set out on page 3 to 71, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2018 and were signed on its behalf by:

JJ Fortuin
Municipal Manager

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2018.

1. Incorporation

Karoo Hoogland Municipality is a local municipality (category B) performing the functions as set out in the Constitution. (Act no 108 of 1996).

2. Review of activities

Main business and operations

The operating results and state of affairs of the municipality are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

3. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

4. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year.

5. Accounting Officer

The accounting officer of the municipality during the year and to the date of this report is as follows:

Name	Changes
JJ Fortuin	Appointed 01 February 2018

6. Bankers

The municipality's preferred bankers are:

Standard Bank
Williston
8920

7. Auditors

Auditor-General of South Africa will continue in office for the next financial period.

8. Jurisdiction

The Karoo Hoogland Local Municipality includes the following areas:

Williston
Sutherland
Fraserburg

Statement of Financial Position as at 30 June 2018

Figures in Rand	Note(s)	2018	2017 Restated*
Assets			
Current Assets			
Inventories	3	173,808	275,010
Other receivables from exchange transactions	4	-	217,686
Receivables from non-exchange transactions	5	832,672	853,090
VAT receivable	6	1,526,641	991,177
Receivables from exchange transactions	7	5,599,005	2,449,019
Cash and cash equivalents	8	2,414,449	3,520,298
		10,546,575	**8,306,280**
Non-Current Assets			
Investment property	9	33,280,758	33,555,108
Property, plant and equipment	10	189,192,160	174,641,395
Intangible assets	11	4,674,548	3,057,537
Long term receivables	12	113,759	36,445
Capitilised restoration cost	13	8,436,996	10,185,511
		235,698,221	**221,475,996**
Total Assets		**246,244,796**	**229,782,276**
Liabilities			
Current Liabilities			
Other financial liabilities	14	230,125	240,963
Finance lease obligation	15	160,916	205,158
Payables from exchange transactions	16	9,977,454	8,808,140
Consumer deposits	17	200,607	283,223
Employee benefit obligation	18	285,735	267,492
Unspent conditional grants and receipts	19	768,094	390,809
Provisions	20	253,317	130,455
		11,876,248	**10,326,240**
Non-Current Liabilities			
Other financial liabilities	14	1,875,838	2,105,939
Finance lease obligation	15	107,286	268,351
Employee benefit obligation	18	2,259,473	3,005,318
Provisions	20	54,373,681	51,081,420
		58,616,278	**56,461,028**
Total Liabilities		**70,492,526**	**66,787,268**
Net Assets		**175,752,270**	**162,995,008**
Accumulated surplus		175,752,270	162,995,008

* See Note 39

Statement of Financial Performance

Figures in Rand	Note(s)	2018	2017 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	21	16,666,196	16,237,298
Rental of facilities and equipment	22	845,644	808,422
Interest received (trading)		1,568,540	1,253,661
Agency services		308,308	315,249
Discount received	23	-	1,274,484
Other income	24	736,173	283,375
Interest received - investment	25	317,198	347,941
Total revenue from exchange transactions		**20,442,059**	**20,520,430**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	26	6,083,977	5,472,332
Property rates - interest received	26	407,925	326,286
Transfer revenue			
Government grants & subsidies	27	44,415,143	33,172,918
Public contributions and donations		780	856
Fines, Penalties and Forfeits		1,745	3,779
Total revenue from non-exchange transactions		**50,909,570**	**38,976,171**
Total revenue		**71,351,629**	**59,496,601**
Expenditure			
Employee related costs	28	(21,462,637)	(20,120,087)
Remuneration of councillors	29	(2,523,995)	(2,128,559)
Depreciation and amortisation		(8,863,736)	(7,202,227)
Impairment loss		(29,670)	(28,347)
Finance costs	30	(1,232,372)	(1,274,086)
Debt Impairment	31	(1,926,084)	(4,558,157)
Repairs and maintenance	33	(1,228,653)	(1,779,061)
Bulk purchases	32	(8,132,660)	(8,181,846)
General Expenses	34	(12,967,130)	(14,007,497)
Total expenditure		**(58,366,937)**	**(59,279,867)**
Operating surplus		**12,984,692**	**216,734**
Loss on derecognition of asset		(667,870)	(281,879)
Actuarial gains/losses	18&20	440,440	138,611
		(227,430)	**(143,268)**
Surplus for the year		**12,757,262**	**73,466**

* See Note 39

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	159,076,952	159,076,952
Adjustments		
Correction of errors	3,844,590	3,844,590
Balance at 1 July 2016	**162,921,542**	**162,921,542**
Changes in net assets		
Surplus for the year	73,466	73,466
Total changes	73,466	73,466
Opening balance as previously reported	160,605,253	160,605,253
Adjustments		
Correction of errors	2,389,755	2,389,755
Restated* Balance at 01 July 2017 as restated*	**162,995,008**	**162,995,008**
Changes in net assets		
Surplus for the year	12,757,262	12,757,262
Total changes	12,757,262	12,757,262
Balance at 30 June 2018	**175,752,270**	**175,752,270**

Note(s)

* See Note 39

Cash Flow Statement

Figures in Rand	Note(s)	2018	2017 Restated*
Cash flows from operating activities			
Receipts			
Rate payers and other		19,609,183	19,746,299
Grants		44,792,428	33,340,730
Finance income		317,198	347,941
Interest earned - outstanding debtors		1,568,540	1,253,661
Property rates - Interest received		407,925	326,289
Taxes		(309,444)	6,787
		66,385,830	55,021,707
Payments			
Employee costs		(24,058,628)	(22,177,287)
Suppliers		(18,784,241)	(23,743,580)
Finance costs		(7,941)	(205,246)
		(42,850,810)	(46,126,113)
Net cash flows from operating activities	47	**23,535,020**	**8,895,594**
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(22,206,823)	(8,779,237)
Purchase of other intangible assets	11	(1,707,961)	(2,460,741)
Proceeds (losses) from sale of long term receivables		(91,648)	(589,026)
Net cash flows from investing activities		**(24,006,432)**	**(11,829,004)**
Cash flows from financing activities			
Repayment of other financial liabilities		(319,309)	(300,549)
Decrease in consumer deposits		(82,616)	115,715
Finance lease payments		(232,512)	135,108
Net cash flows from financing activities		**(634,437)**	**(49,726)**
Net increase/(decrease) in cash and cash equivalents		**(1,105,849)**	**(2,983,136)**
Cash and cash equivalents at the beginning of the year		3,520,298	6,503,433
Cash and cash equivalents at the end of the year	8	**2,414,449**	**3,520,298**

* See Note 39

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	17,987,400	830,700	**18,818,100**	16,666,196	**(2,151,904)**	Note 49
Rental of facilities and equipment	676,800	284,000	**960,800**	845,644	**(115,156)**	Note 49
Interest received (trading)	861,700	2,681,000	**3,542,700**	1,568,540	**(1,974,160)**	Note 49
Agency services	280,200	(280,200)	**-**	308,308	**308,308**	Note 49
Other income	453,900	121,100	**575,000**	736,173	**161,173**	Note 49
Interest received - investment	242,100	57,800	**299,900**	317,198	**17,298**	Note 49
Total revenue from exchange transactions	**20,502,100**	**3,694,400**	**24,196,500**	**20,442,059**	**(3,754,441)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	5,950,600	(9,600)	**5,941,000**	6,083,977	**142,977**	Note 49
Property rates - interest received	264,600	(264,600)	**-**	407,925	**407,925**	Note 49
Transfer revenue						
Government grants & subsidies	45,894,000	(1,903,000)	**43,991,000**	44,415,143	**424,143**	Note 49
Public contributions and donations	800	29,500	**30,300**	780	**(29,520)**	Note 49
Fines, Penalties and Forfeits	6,700	364,900	**371,600**	1,745	**(369,855)**	Note 49
Total revenue from non-exchange transactions	**52,116,700**	**(1,782,800)**	**50,333,900**	**50,909,570**	**575,670**	
Total revenue	**72,618,800**	**1,911,600**	**74,530,400**	**71,351,629**	**(3,178,771)**	
Expenditure						
Personnel	(20,060,800)	(2,103,600)	**(22,164,400)**	(21,462,637)	**701,763**	Note 49
Remuneration of councillors	(2,550,000)	(229,000)	**(2,779,000)**	(2,523,995)	**255,005**	Note 49
Depreciation and amortisation	(424,800)	24,800	**(400,000)**	(8,863,736)	**(8,463,736)**	Note 49
Impairment loss/ Reversal of impairments	-	-	**-**	(29,670)	**(29,670)**	Note 49
Finance costs	(402,500)	87,200	**(315,300)**	(1,232,372)	**(917,072)**	Note 49
Debt impairment	(2,695,200)	(134,800)	**(2,830,000)**	(1,926,084)	**903,916**	Note 49
Repairs and maintenance	(1,001,400)	(807,100)	**(1,808,500)**	(1,228,653)	**579,847**	Note 49
Bulk purchases	(8,926,500)	936,300	**(7,990,200)**	(8,132,660)	**(142,460)**	Note 49
General Expenses	(36,504,600)	19,052,240	**(17,452,360)**	(12,967,130)	**4,485,230**	Note 49
Total expenditure	**(72,565,800)**	**16,826,040**	**(55,739,760)**	**(58,366,937)**	**(2,627,177)**	
Operating surplus	**53,000**	**18,737,640**	**18,790,640**	**12,984,692**	**(5,805,948)**	
Loss on derecognition of asset	-	12,000	**12,000**	(667,870)	**(679,870)**	Note 49
Actuarial gains/losses	-	-	**-**	440,440	**440,440**	Note 49
	-	**12,000**	**12,000**	**(227,430)**	**(239,430)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**53,000**	**18,749,640**	**18,802,640**	**12,757,262**	**(6,045,378)**	

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2018											
Financial Performance											
Property rates	6,215,200	(274,200)	5,941,000	-		5,941,000	6,491,902		550,902	109 %	104 %
Service charges	18,849,100	(31,000)	18,818,100	-		18,818,100	18,234,736		(583,364)	97 %	97 %
Investment revenue	242,100	57,800	299,900	-		299,900	317,198		17,298	106 %	131 %
Transfers recognised - operational	21,727,000	1,119,000	22,846,000	-		22,846,000	22,961,271		115,271	101 %	106 %
Other own revenue	1,417,600	4,044,500	5,462,100	-		5,462,100	1,891,870		(3,570,230)	35 %	133 %
Total revenue (excluding capital transfers and contributions)	**48,451,000**	**4,916,100**	**53,367,100**	**-**		**53,367,100**	**49,896,977**		**(3,470,123)**	**93 %**	**103 %**
Employee costs	(20,060,800)	(2,103,600)	(22,164,400)	-	-	(22,164,400)	(21,462,637)	701,763	701,763	97 %	107 %
Remuneration of councillors	(2,550,000)	(229,000)	(2,779,000)	-	-	(2,779,000)	(2,523,995)	255,005	255,005	91 %	99 %
Debt impairment	(2,695,200)	(134,800)	(2,830,000)			(2,830,000)	(1,926,084)	903,916	903,916	68 %	71 %
Depreciation and asset impairment	(424,800)	24,800	(400,000)			(400,000)	(8,893,406)	(8,493,406)	(8,493,406)	2,223 %	2,094 %
Finance charges	(402,500)	87,200	(315,300)	-	-	(315,300)	(1,232,372)	(917,072)	(917,072)	391 %	306 %
Bulk purchases	(8,926,500)	936,300	(7,990,200)	-	-	(7,990,200)	(8,132,660)	(142,460)	(142,460)	102 %	91 %
Other expenditure	(37,506,000)	18,245,140	(19,260,860)	-	-	(19,260,860)	(14,195,783)	5,065,077	5,065,077	74 %	38 %
Total expenditure	**(72,565,800)**	**16,826,040**	**(55,739,760)**	**-**	**-**	**(55,739,760)**	**(58,366,937)**	**(2,627,177)**	**(2,627,177)**	**105 %**	**80 %**
Surplus/(Deficit)	**(24,114,800)**	**21,742,140**	**(2,372,660)**	**-**		**(2,372,660)**	**(8,469,960)**		**(6,097,300)**	**357 %**	**35 %**
Transfers recognised - capital	24,167,000	(3,022,000)	21,145,000	-		21,145,000	21,453,872		308,872	101 %	89 %
Contributions recognised - capital and contributed assets	800	29,500	30,300	-		30,300	780		(29,520)	3 %	98 %
Surplus (Deficit) after capital transfers and contributions	**53,000**	**18,749,640**	**18,802,640**	**-**		**18,802,640**	**12,984,692**		**(5,817,948)**	**69 %**	**24,499 %**

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality. The annual financial statements have been rounded to the nearest Rand.

1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Trade receivables / Held to maturity investments and/or loans and receivables

The municipality assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 20 - Provisions.

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Useful lives of waste and water network and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 18.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.4 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value by equal installments over the useful life of the property, which is as follows:

Item	Useful life
Property - buildings	30 years

Accounting Policies

1.4 Investment property (continued)

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Item	Depreciation method	Average useful life
Land	Straight line	Indefinite
Buildings	Straight line	20 - 35 years

Accounting Policies

1.5 Property, plant and equipment (continued)

Infrastructure	Straight line	10 - 100 years
Community	Straight line	30 years
Capital restoration cost	Straight line	1 - 20 years
Other assets	Straight line	3 - 20 years
Leased Assets	Straight line	3 years

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

Land and buildings are recognised according to the system Deedsweb. Deedsweb is a search function to extract information from the deeds office.

1.6 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

Accounting Policies

1.6 Intangible assets (continued)

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software	5 years
Computer software licenses	5 years

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an intangible assets is included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.7 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

Accounting Policies

1.7 Financial instruments (continued)

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:
- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:
- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:
- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Accounting Policies

1.7 Financial instruments (continued)

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Receivables for exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost
Long term receivables	Financial asset measured at amortised cost

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Other financial liabilities	Financial liability measured at amortised cost
Finance lease obligation	Financial liability measured at amortised cost
Trade and other payables	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

Accounting Policies

1.7 Financial instruments (continued)

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity measures a financial asset and financial liability initially at its fair value.

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

Accounting Policies

1.7 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the entity cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The entity assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

Accounting Policies

1.7 Financial instruments (continued)

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Distributions to holders of residual interests are recognised by the entity directly in net assets. Transaction costs incurred on residual interests are accounted for as a deduction from net assets. Income tax [where applicable] relating to distributions to holders of residual interests and to transaction costs incurred on residual interests are accounted for in accordance with the International Accounting Standard on Income Taxes.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

1.8 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Accounting Policies

1.8 Leases (continued)

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.9 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Accounting Policies

1.10 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Accounting Policies

1.10 Employee benefits (continued)

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

Accounting Policies

1.10 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The entity measure the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The entity determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

Accounting Policies

1.10 Employee benefits (continued)

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The entity uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the entity re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The entity offsets an asset relating to one plan against a liability relating to another plan when the entity has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

Accounting Policies

1.10 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
- those changes were enacted before the reporting date; or
- past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

Termination benefits

The entity recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:

- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The entity is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:

- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer.

1.11 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

Accounting Policies

1.11 Provisions and contingencies (continued)

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 37.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;

Accounting Policies

1.11 Provisions and contingencies (continued)

- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.12 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.13 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Accounting Policies

1.13 Revenue from exchange transactions (continued)

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by .

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.14 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Accounting Policies

1.14 Revenue from non-exchange transactions (continued)

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Taxes

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

Accounting Policies

1.14 Revenue from non-exchange transactions (continued)

Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

1.15 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.16 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.17 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.18 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

Accounting Policies

1.19 Irregular expenditure

Irregular expenditure as defined in section 1 of the MFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -
(a) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of this Act, and which has not been condoned in terms of section 170;
(b) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the Municipal Systems Act, and which has not been condoned in terms of that Act;
(c) expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office-Bearers Act, 1998 (Act No. 20 of 1998); or
(d) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of the municipality or entity or any of the municipality's by-laws giving effect to such policy, and which has not been condoned in terms of such policy or by-law,

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.20 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 01/07/2017 to 30/06/2018.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

Comparative information is not required.

1.21 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Accounting Policies

1.21 Related parties (continued)

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.22 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

Figures in Rand	2018	2017

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 20: Related parties	01 April 2017	The impact of the is not material.
• GRAP 26 (as amended 2015): Impairment of cash-generating assets	01 April 2017	The impact of the is not material.
• GRAP 109: Accounting by Principals and Agents	01 April 2017	The impact of the is not material.
• GRAP 21 (as amended 2015): Impairment of non-cash-generating assets	01 April 2017	The impact of the is not material.
• GRAP 18: Segment Reporting	01 April 2017	The impact of the is not material.

2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2018 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Directive 12: The Selection of an Appropriate Reporting Framework by Public Entities	01 April 2018	Unlikely there will be a material impact

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

3. Inventories

Consumable stores	116,753	221,735
Water	57,055	53,275
	173,808	**275,010**

Inventory pledged as security

No inventory was pledged as security for any liabilities during 2018 and 2017.

4. Other receivables from exchange transactions

Land sales	-	217,686

5. Receivables from non-exchange transactions

Project Nala	5,193	90,532
Payments made in advance	1,114	-
Consumer debtors - Rates	811,200	743,593
Salary overpayments	15,165	18,965
	832,672	**853,090**

Consumer debtors - Rates Gross Balances		
Current (0 - 30 days)	69,137	123,264
31 - 60 days	212,232	172,256
61 - 90 days	177,919	143,022
91 - 120 days	166,021	134,835
121 - 365 days	1,222,795	1,253,878
>365 days	3,191,532	2,958,041
	5,039,636	**4,785,296**

Consumer debtors - Rates Less: Allowance for impairment		
Current (0- 30 days)	39,473	86,906
31 - 60 days	150,567	121,549
61 - 90 days	143,510	112,291
91 - 120 days	139,211	110,712
121 - 365 days	938,217	1,234,753
>365 days	2,817,459	2,375,494
	4,228,437	**4,041,705**

Consumer debtors - Rates Net Balances		
Current (0- 30 days)	29,663	36,358
31 - 60 days	61,665	50,707
61 - 90 days	34,410	30,731
91 - 120 days	26,810	24,123
121 - 365 days	284,578	19,125
>365 days	374,074	582,549
	811,200	**743,593**

No receivables from non-exchange transactions are pledged as security for any liabilities.

The carrying amount of other receivables from non-exchange transactions are denominated in the following currencies:

Rand	832,672	853,090

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

5. Receivables from non-exchange transactions (continued)

Reconciliation of provision for impairment of receivables from non-exchange transactions

Opening balance	(4,041,705)	(3,829,038)
Provision for impairment	(186,732)	(212,667)
	(4,228,437)	**(4,041,705)**

Debts are required to be settled after 30 days, interest is charged after this date at prime + 1%. The fair value of trade and other receivables approximates their carrying amounts. Discounting of receivables are not performed at initial recognition in terms of GRAP 104.

In determining the recoverability of a receivable, the Municipality considers any change in the credit quality of the receivable from the date the credit was initially granted, up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, management believes no further credit provisions are required in excess of the present allowance for doubtful debts. All Non-Government debtors were either specifically impaired or subject to collective impairment.

6. VAT receivable

VAT	1,526,641	991,177

The value added tax recoverable from, or payable to, the taxation authority presented in this note and the Statement of Financial Position is on the accrual basis while the municipality is registered on cash basis according to section 15 of the Value-added Tax Act, 1991 (Act 89 of 1991).

7. Receivables from exchange transactions

Gross balances		
Electricity	1,643,712	1,439,494
Water	6,524,421	5,125,664
Sewerage	6,136,382	4,745,400
Refuse	6,171,894	4,904,718
Housing rental	351,300	274,480
Other	6,094,133	5,331,061
	26,921,842	**21,820,817**
Less: Allowance for impairment		
Electricity	(502,636)	(520,215)
Water	(5,384,614)	(4,753,994)
Sewerage	(5,145,438)	(4,458,425)
Refuse	(5,213,378)	(4,721,727)
Housing rental	(215,571)	(166,826)
Other	(4,861,200)	(4,750,611)
	(21,322,837)	**(19,371,798)**
Net balance		
Electricity	1,141,076	919,279
Water	1,139,807	371,670
Sewerage	990,944	286,975
Refuse	958,516	182,991
Housing rental	135,729	107,654
Other	1,232,933	580,450
	5,599,005	**2,449,019**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

7. Receivables from exchange transactions (continued)

Electricity		
Current (0 -30 days)	472,558	447,855
31 - 60 days	117,527	88,115
61 - 90 days	76,679	56,162
91 - 120 days	43,461	64,558
121 - 365 days	244,638	49,729
> 365 days	186,213	212,860
	1,141,076	**919,279**
Water		
Current (0 -30 days)	137,852	97,237
31 - 60 days	52,777	27,145
61 - 90 days	42,591	20,108
91 - 120 days	27,734	13,197
121 - 365 days	183,508	8,198
> 365 days	695,345	205,785
	1,139,807	**371,670**
Sewerage		
Current (0 -30 days)	167,742	137,802
31 - 60 days	50,027	30,216
61 - 90 days	31,559	14,681
91 - 120 days	31,476	11,008
121 - 365 days	175,789	9,064
> 365 days	534,351	84,204
	990,944	**286,975**
Refuse		
Current (0 -30 days)	116,470	86,419
31 - 60 days	35,482	15,957
61 - 90 days	25,519	7,771
91 - 120 days	22,418	4,241
121 - 365 days	150,834	3,330
> 365 days	607,793	65,273
	958,516	**182,991**
Housing rental		
Current (0 -30 days)	49,595	53,134
31 - 60 days	7,263	3,601
61 - 90 days	4,063	2,821
91 - 120 days	2,912	2,215
121 - 365 days	12,753	1,813
> 365 days	59,143	44,070
	135,729	**107,654**
Other (specify)		
Current (0 -30 days)	68,404	52,600
31 - 60 days	91,764	20,410
61 - 90 days	1,104	4,045
91 - 120 days	924	560
121 - 365 days	43,604	500
> 365 days	1,027,133	502,335
	1,232,933	**580,450**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

7. Receivables from exchange transactions (continued)

Summary of debtors by customer classification

Consumers		
Current (0 -30 days)	935,588	869,306
31 - 60 days	607,666	761,385
61 - 90 days	556,607	531,421
91 - 120 days	522,829	514,219
121 - 365 days	3,718,603	3,562,947
> 365 days	14,662,865	12,694,041
	21,004,158	18,933,319
Less: Allowance for impairment	(20,386,318)	(18,168,281)
	617,840	**765,038**
Industrial/ commercial		
Current (0 -30 days)	393,347	422,705
31 - 60 days	117,194	125,276
61 - 90 days	66,288	68,672
91 - 120 days	48,276	68,541
121 - 365 days	215,041	376,278
> 365 days	930,856	844,665
	1,771,002	1,906,137
Less: Allowance for impairment	(1,034,204)	(1,203,516)
	736,798	**702,621**
National and provincial government		
Current (0 -30 days)	309,264	204,178
31 - 60 days	242,626	80,821
61 - 90 days	144,797	76,569
91 - 120 days	112,115	76,076
121 - 365 days	765,559	293,699
> 365 days	2,572,321	251,511
	4,146,682	**982,854**
Total		
Current (0 -30 days)	1,638,199	1,494,696
31 - 60 days	967,486	967,482
61 - 90 days	767,692	676,662
91 - 120 days	683,221	658,835
121 - 365 days	4,699,202	4,232,924
> 365 days	18,166,042	13,790,217
	26,921,842	21,820,816
Less: Allowance for impairment	(21,322,837)	(19,371,797)
	5,599,005	**2,449,019**
Less: Allowance for impairment		
Current (0 -30 days)	(625,577)	(619,649)
31 - 60 days	(612,645)	(782,039)
61 - 90 days	(586,177)	(571,072)
91 - 120 days	(554,296)	(563,057)
121 - 365 days	(3,888,077)	(532,921)
> 365 days	(15,056,065)	(16,303,060)
	(21,322,837)	**(19,371,798)**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

7. Receivables from exchange transactions (continued)

Reconciliation of allowance for impairment		
Balance at beginning of the year	(19,371,798)	(15,772,657)
Contributions to allowance	(1,951,039)	(3,599,141)
	(21,322,837)	**(19,371,798)**

Consumer debtors pledged as security

No receivables from exchange transactions were pledged as security for any liablities.

Fair value of consumer debtors

The carrying value of receivables from exchange transactions approximate their fair values.

The carrying amount of consumer debtors are denominated in the following currencies:

Rand	5,599,005	2,449,019

8. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	2,700	2,700
Bank balances	2,411,749	3,517,598
	2,414,449	**3,520,298**

None of the above accounts have been provided as security or have been pledged as collateral.

No restrictions have been placed on the use of the cash and cash equivalents for the operations of the entity.

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates:

Credit rating		
AA	2,411,749	3,517,598

8. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2018	30 June 2017	30 June 2016	30 June 2018	30 June 2017	30 June 2016
Standard Bank Account number 083212442 (Primary bank account)	1,511,969	1,274,984	4,987,672	1,511,969	1,274,984	4,987,672
ABSA Bank - Account number 2490000065 (Secondary Bank account)	327,424	1,214,904	942,214	327,424	1,214,904	942,214
Standard Bank Call Account Account number 4054352064	13	13	2,871	13	13	2,871
ABSA Bank Call Account number 9291944935	18,050	18,050	21,460	18,050	18,050	21,460
Standard bank E-natis Account number 083116192	39,627	497,064	97,744	39,627	497,064	97,744
Standard Bank FMG Call Account - Account number 28 8644 204	1,000	1,258	2,203	1,000	1,258	2,203
ABSA MSIG Call Account - Account number 92 8398 9884	1,000	1,000	1,000	1,000	1,000	1,000
Standard Bank MIG Call Account - Account number 28 8644 220	1,000	11,012	5,883	1,000	11,012	5,883
Standard Bank Library Call Account - Account number 28 8644 247	1,000	4,478	5,066	1,000	4,478	5,066
Standard Bank EPWP Account Number 28 8644 239	1,000	1,000	2,542	1,000	1,000	2,542
Fuel deposit account	15,000	15,000	15,000	15,000	15,000	15,000
ABSA INEG - 928 398 9339	1,003	1,000	-	1,003	1,000	-
Standard bank fixed deposit Eskom - Account number 2886 4192 2005	-	3,460	-	-	3,460	-
Standard Bank money market - Account number 2886 4192 2003	4,080	4,080	-	4,080	4,080	-
Standard bank fixed deposit Eskom - Account number 2886 4192 2006	34,750	34,750	-	34,750	34,750	-
ABSA Bank Call Account - Account number 4054352064	454,832	435,545	416,073	454,832	435,545	416,073
Total	**2,411,748**	**3,517,598**	**6,499,728**	**2,411,748**	**3,517,598**	**6,499,728**

9. Investment property

	2018			2017		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	36,353,774	(3,073,016)	33,280,758	36,353,774	(2,798,666)	33,555,108

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

9. Investment property (continued)

Reconciliation of investment property - 2018

	Opening balance	Depreciation	Total
Investment property	33,555,108	(274,350)	33,280,758

Reconciliation of investment property - 2017

	Opening balance	Depreciation	Total
Investment property	33,834,974	(279,866)	33,555,108

Pledged as security

None of the above properties have been pledged as security for any liabilities.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

10. Property, plant and equipment

	2018			2017		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Buildings	6,437,447	(1,385,484)	5,051,963	6,437,446	(1,260,992)	5,176,454
Community	18,658,544	(1,948,702)	16,709,842	14,039,040	(1,773,530)	12,265,510
Furniture and fixtures	1,495,091	(669,262)	825,829	1,447,295	(594,926)	852,369
IT equipment	1,622,531	(547,999)	1,074,532	1,548,493	(318,367)	1,230,126
Infrastructure	192,319,576	(55,671,005)	136,648,571	186,576,116	(50,485,744)	136,090,372
Land	6,565,900	-	6,565,900	6,565,900	-	6,565,900
Leased Assets	646,605	(403,459)	243,146	646,605	(200,453)	446,152
Motor vehicles	4,140,750	(1,011,763)	3,128,987	2,949,743	(675,820)	2,273,923
Office equipment	274,556	(112,852)	161,704	255,061	(78,402)	176,659
Other property, plant and equipment	47,047	(23,336)	23,711	47,047	(20,238)	26,809
Plant and machinery	433,214	(278,618)	154,596	433,214	(255,091)	178,123
Tools and loose gear	98,980	(46,009)	52,971	98,980	(38,805)	60,175
Work in progress	18,550,408	-	18,550,408	9,298,823	-	9,298,823
Total	**251,290,649**	**(62,098,489)**	**189,192,160**	**230,343,763**	**(55,702,368)**	**174,641,395**

Figures in Rand	2018	2017

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Disposals	Depreciation	Total
Buildings	5,176,454	-	-	(124,491)	5,051,963
Community	12,265,510	4,619,504	-	(175,172)	16,709,842
Furniture and fixtures	852,369	47,796	-	(74,336)	825,829
IT equipment	1,230,126	74,038	-	(229,632)	1,074,532
Infrastructure	136,090,372	7,003,398	(666,275)	(5,778,924)	136,648,571
Land	6,565,900	-	-	-	6,565,900
Leased assets	446,152	-	-	(203,006)	243,146
Motor vehicles	2,273,923	1,191,007	-	(335,943)	3,128,987
Office equipment	176,659	19,495	-	(34,450)	161,704
Other property, plant and equipment	26,809	-	-	(3,098)	23,711
Plant and machinery	178,123	-	-	(23,527)	154,596
Tools and loose gear	60,175	-	-	(7,204)	52,971
Work in progress	9,298,823	9,251,585	-	-	18,550,408
	174,641,395	**22,206,823**	**(666,275)**	**(6,989,783)**	**189,192,160**

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Depreciation	Impairment loss	Total
Buildings	5,304,093	-	(127,639)	-	5,176,454
Community	11,282,897	1,162,285	(179,672)	-	12,265,510
Furniture and fixtures	908,683	12,149	(68,463)	-	852,369
IT equipment	947,631	398,796	(116,301)	-	1,230,126
Infrastructure	141,109,065	956,927	(5,926,365)	(49,255)	136,090,372
Land	6,565,900	-	-	-	6,565,900
Leased assets	291,852	366,069	(211,769)	-	446,152
Motor vehicles	1,614,062	756,521	(96,660)	-	2,273,923
Office equipment	88,509	102,718	(14,568)	-	176,659
Other property, plant and equipment	20,044	10,170	(3,405)	-	26,809
Plant and machinery	181,053	17,535	(20,465)	-	178,123
Tools and loose gear	66,283	-	(6,108)	-	60,175
Work in progress	4,302,756	4,996,067	-	-	9,298,823
	172,682,828	**8,779,237**	**(6,771,415)**	**(49,255)**	**174,641,395**

Pledged as security

No items of Property, plant and equipment are pledged as securities for any liabilities, with the exception of the following:

Leased assets Leased assets are pledged as security for finance lease liabilities. For terms and conditions refer to note 15.	243,146	446,152
Sebata Connect PBX The Sebata Connect PBX is pledged as security for the loan with Sebata. For terms and conditions refer to note 14.	74,706	93,383

Work in progress where construction has been halted

During the 2018 financial year, construction on the project Sutherland Water reticulation was halted due to the municipality not having sufficient funding to continue the project. The total value of the project amounts to R695 876.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Figures in Rand	2018	2017

11. Intangible assets

	2018			2017		
	Cost / Valuation	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Computer software	5,451,059	(776,511)	4,674,548	3,746,546	(689,009)	3,057,537

Reconciliation of intangible assets - 2018

	Opening balance	**Additions**	**Disposals**	**Amortisation**	**Total**
Computer software, other	3,057,537	1,707,961	(1,596)	(89,354)	4,674,548

Reconciliation of intangible assets - 2017

	Opening balance	**Additions**	**Amortisation**	**Total**
Computer software	738,657	2,460,741	(141,861)	3,057,537

Pledged as security

No intangible assets were pledged as security for liabilities.

Restricted title

There are no intangible assets whose title is restricted.

Other information

There are no internally generated intangible assets at year end.

No intangible assets were assessed having an indefinite useful life

12. Long term receivables

Long term receivables	1,022,119	930,471
Provision for impairment	(908,360)	(894,026)
	113,759	**36,445**

The long-term receivables relates to outstanding customer service accounts where these customers have arrangements in place with the Municipality to pay their accounts at a fixed instalment over a period longer than 12 months. Arrangements are in place up to 2030.

13. Capitilised restoration cost

2018	Net Carrying amount at 1 July	Additions	Depreciation for the year	Impairment / Reversal of Impairment	Net Carrying amount at 30 June
Capitilised restoration cost	10,185,511	(208,595)	(1,510,250)	(29,670)	8,436,996

Figures in Rand	2018	2017

13. Capitilised restoration cost (continued)

2017	Net Carrying amount at 1 July	Additions	Depreciation for the year	Impairment / Reversal of Impairment	Net Carrying amount at 30 June
Capitilised restoration cost	26,983	10,111,266	8,994	56,256	10,185,511

Restoration cost financed by way of a provision - Refer to note 20 for further details.

Reconciliation of Carrying amount at 30 June

Net carrying amount		
Cost	19,617,992	19,826,588
Accumulated depreciation	(10,657,745)	(9,147,495)
Accumulated impairment	(523,251)	(493,582)
	8,436,996	**10,185,511**

14. Other financial liabilities

At amortised cost		
Development Bank of South Africa The loand to DBSA is payable in equal monthly instalments of R25 076. Interest is levied at 5% per annum. The last loan repayment will be on 31 December 2026.	2,077,078	2,268,499
Sebata Connect PBX The loan to Sebata is payable in equal monthly instalments of R4 126. The loan is interest free. The last loan repayment will be on 31 January 2019.	28,885	78,403
	2,105,963	**2,346,902**
Total other financial liabilities	**2,105,963**	**2,346,902**

A cession over the income stream of the Municiplaity is pledged as security, covering the instalments plus interest and collection charges outstanding at any time during the term of the DBSA loan.

Non-current liabilities		
At amortised cost	1,875,838	2,105,939
Current liabilities		
At amortised cost	230,125	240,963

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

15. Finance lease obligation

Minimum lease payments due		
- within one year	189,121	259,266
- in second to fifth year inclusive	115,286	307,177
	304,407	566,443
less: future finance charges	(36,205)	(92,934)
Present value of minimum lease payments	**268,202**	**473,509**
Non-current liabilities	107,286	268,351
Current liabilities	160,916	205,158
	268,202	**473,509**

It is municipality policy to lease certain equipment under finance leases.

The average lease term was 3 years and the average effective borrowing rate was 2% (2017: 2%).

Interest rates are fixed at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 10.

Market risk

The carrying amounts of finance lease liabilities are denominated in the following currencies:

Rand	268,202	473,509

For details of sensitivity of exposures to market risk related to finance lease liabilities, as well as liquidity risk refer to note 40.

The fair value of finance lease liabilities approximates their carrying amounts.

16. Payables from exchange transactions

Trade payables	4,683,753	4,973,994
Payments received in advance	529,055	529,513
Removal of invasive alien vegetation	43,950	234
Accrued leave pay	1,418,447	1,270,075
Accrued bonus	594,578	586,242
Deposits received	114,539	113,029
Unidentified deposits	646,805	604,687
Retentions	1,946,327	730,366
	9,977,454	**8,808,140**

17. Consumer deposits

Electricity	62,165	64,375
Water	138,442	218,848
	200,607	**283,223**

Figures in Rand	2018	2017

18. Employee benefit obligations

Defined benefit plan

Post retirement medical aid plan

The Municipality offers employees and continuation members the opportunity of belonging to one of several medical aid schemes, most of which offer a range of options pertaining to levels of cover. Upon retirement, an employee may continue membership of the medical scheme. Upon a member's death-in-service or death-in-retirement, the surviving dependants may continue membership of the medical scheme.

Contribution Rate Structure

Members contribute according to tables of contribution rates which differentiate between them on the type and number of dependants. Some options also differentiate on the basis of income.

Subsidy Policy

All continuation members receive a 70% subsidy. Upon a member's death-in-retirement, the surviving dependants will continue to receive the same 70% subsidy. .

The effective date of the actuarial valuation of the post employment medical benefit obligation was the 30 June 2018 and performed by independant professional valuators. The next actuarial valuation is expected to be performed on 30 June 2019.

The amounts recognised in the statement of financial position are as follows:

Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(2,545,208)	(3,272,810)
Non-current liabilities	(2,259,473)	(3,005,318)
Current liabilities	(285,735)	(267,492)
	(2,545,208)	**(3,272,810)**

In-service members:

The average in-service member liability has increased by 31% since the last valuation due to the following factors:
The total liability has decreased by 22% (or R 0.728 million) since the last valuation.
- an increase in the average past service;
- an increase in the average age which means members are closer to retirement.

These impacts were partially offset by:
- a decrease in the average future employer contribution;
- an increase in the net discount rate.

The total in-service member liability has also increased by 74% due to the above being more than offset by a decrease in the number of members (from five members to one member)..

Continuation members:

The average continuation member liability has increased by 1% since the last valuation due to an increase in the average employer contribution, partially offset by an increase in the average age and an increase in the net discount rate..

The total continuation member liability has also increased by 1% due to the above, and because there was no change in the number of members.

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	3,272,810	3,034,669
Net expense recognised in the statement of financial performance	(727,602)	238,141

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

18. Employee benefit obligations (continued)

	2,545,208	**3,272,810**

Net expense recognised in the statement of financial performance

Current service cost	51,693	49,725
Interest cost	284,378	269,169
Actuarial (gains) losses	(790,855)	170,067
Settlement	(272,818)	(250,820)
	(727,602)	**238,141**

Calculation of actuarial gains and losses

Actuarial (gains) losses – Obligation	(790,855)	170,067

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	9.09 %	9.05 %
Expected rate of return on assets	7.25 %	7.35 %
Expected rate of return on reimbursement rights	1.71 %	1.59 %

The basis used to determine the overall expected rate of return on assets is as follow:

Discount Rate:

GRAP 25 stipulates that the choice of this rate should be derived from government bond yields consistent with the estimated term of the post-employment liabilities. However, where there is no deep market in government bonds with a sufficiently long maturity to match the estimated term of all the benefit payments, current market rates of the appropriate term should be used to discount shorter term payments, and the discount rate for longer maturities should be estimated by extrapolating current market rates along the yield curve.

Consequently, a discount rate of 9.09% per annum has been used. The corresponding index-linked yield at this term is 2.68%. These rates do not reflect any adjustment for taxation. These rates were deduced from the yield curve obtained from the Johannesburg Stock Exchange after the market close on 30 June 2018.

These rates are calculated by using a liability-weighted average of the yields for the three components of the liability. Each component's fixed-interest and index-linked yields were taken from the bond yield curve at that component's duration, using an iterative process (because the yield depends on the liability, which in turn depends on the yield).

Figures in Rand	2018	2017

18. Employee benefit obligations (continued)

Health Care Cost Inflation Rate:

Health Care Cost Inflation Rate: This assumption is required to reflect estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs (for example, due to technological advances or changes in utilisation patterns). Any assumption regarding future medical scheme contribution increases is therefore subjective.

A health care cost inflation rate of 7.25% has been assumed. This is 1.50% in excess of expected CPI inflation over the expected term of the liability, namely 5.75%. A larger differential would be unsustainable, eventually forcing members to less expensive options. This implies a net discount rate of 1.71% which derives from ((1+9.09%)/(1+7.25%))-1.

The expected inflation assumption of 5.75% was obtained from the differential between market yields on index-linked bonds consistent with the estimated term of the liabilities (2.68%) and those of fixed interest bonds (9.09%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). This was therefore determined as follows: ((1+9.09%-0.50%)/(1+2.68%))-1.

The next contribution increase was assumed to occur with effect from 1 January 2019.

Pre-retirement mortality:

The SA 85-90 ultimate table, adjusted for female lives, was used by the actuaries.

Mortality rates:

The PA 90 ultimate table, was used by the actuaries.

Average retirement age:

The normal retirement age of employees is 65. It has been assumed that in-service members will retire at age 63, which then implicitly allows for expected rates of early and ill-health retirement and early retirement.

Continuation of Membership:

It has been assumed that 100% of in-service members will remain on the Municipality's health care arrangement should they stay until retirement.

Withdrawal from Service:

If an in-service member leaves, the employer's liability in respect of that employee ceases. It is therefore important not to overstate withdrawal rates.

Family Profile:

It has been assumed that female spouses will be five years younger than their male counterparts. Furthermore, it was assumed that the remaining eligible in-service member will still have a spouse dependant on his medical aid at retirement. For current retiree members, actual medical aid dependants were used and the potential for remarriage was ignored.

In-service Non-members:

It is recognised that a contingent liability may exist in respect of employees who have not joined a medical aid scheme, but are entitled to this benefit and may join in the future. As instructed, it was assumed that these employees will not join a medical aid scheme.

Other assumptions

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

Figures in Rand	2018	2017

18. Employee benefit obligations (continued)

	One percentage point increase	One percentage point increase
Effect on the aggregate of the service cost and interest cost	250,300	360,800
Effect on defined benefit obligation	2,795,508	3,626,000

19. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal Infrastructure Grant	-	1,000
Water Services Infrastructure Grant	192,128	-
Library Development Grant	575,966	389,809
	768,094	**390,809**

See note 27 for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

20. Provisions

Reconciliation of provisions - 2018

	Opening Balance	Additions	Utilised during the year	Increase in estimate	Change in discount factor	Total
Environmental rehabilitation	49,783,181	2,426,614	-	(208,595)	660,624	52,661,824
Long service award	1,428,694	481,212	(60,067)	-	115,335	1,965,174
	51,211,875	**2,907,826**	**(60,067)**	**(208,595)**	**775,959**	**54,626,998**

Reconciliation of provisions - 2017

	Opening Balance	Additions	Utilised during the year	Increase in estimate	Change in discount factor	Total
Environmental rehabilitation	37,250,624	1,904,925	-	10,111,267	516,365	49,783,181
Long service award	1,614,261	(171,882)	(140,980)	-	127,295	1,428,694
	38,864,885	**1,733,043**	**(140,980)**	**10,111,267**	**643,660**	**51,211,875**

Non-current liabilities	54,373,681	51,081,420
Current liabilities	253,317	130,455
	54,626,998	**51,211,875**

Environmental rehabilitation provision

The municipality has an obligation to rehabilitate the following landfill sites at the end of the expected useful life of the asset. Details of the sites are as follows:

Location and estimated decommision date		
Williston, Estimated decommission date 2037	15,067,444	13,987,731
Fraserburg, Estimated decommission date 2019	11,211,331	10,655,237
Sutherland, Estimated decommission date 2037	26,383,049	25,140,213
	52,661,824	**49,783,181**

Material Assumtions used

Discount Rate used:

The discount rate used the calculate the present value of the rehabilitation costs at each reporting period is based on a calculated risk free rate as determined by the municipality. This rate is in line with a competitive investment rate the municipality can obtain from an A grade financial institution. This rate used is also within the inflation target range of the South African Reserve Bank of between 3% to 6%.

Long Service Awards

The Municipality offers employees Long Service Awards for every five years of service completed, from ten years of service to 45 years of service, inclusive.

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

20. Provisions (continued)

The Long Service Award liability is not a funded arrangement, i.e. no separate assets have been set aside to meet this liability.

Material Assumtions used

- Discount rate: 8.71% (2017: 8.45%)
- General Salary Inflation (long-term): 6.44% (2017: 6.27%)
- Net effective discount rate: 2.14% (2017: 2.05%)

Salary negotiations were still underway at the time of performing this valuation and as such the general salary increase as at 1 July 2018 had not been finalised by the SALGBC. As instructed by management, the salaries used in the valuation include an assumed increase on 1 July 2018 of 6.70%. The next salary increase was assumed to take place on 1 July 2019.

The average retirement age was presumed as 63 years to allow for potential early retirements.

21. Service charges

Sale of electricity	9,096,142	8,767,804
Sale of water	2,911,725	2,780,014
Sewerage and sanitation charges	2,639,536	2,643,427
Refuse removal	2,018,793	2,046,053
	16,666,196	**16,237,298**

22. Rental of facilities and equipment

Facilities and equipment		
Rental of facilities	845,644	808,422

23. Discount received

Settlement discount received - Auditor General	-	1,274,484

Karoo Hoogland Local Municipality entered into a settlement agreement with the Auditor General. In accordance with this agreement, interest amounting to R 1 274 484 was written off by the Auditor General during the 2017 financial year due to the municipality's adherence to this agreement.

24. Other income

LG Seta Skills development	32,879	34,524
Refunds	429,173	-
Sundry income	274,121	248,851
	736,173	**283,375**

25. Investment revenue

Interest revenue		
Bank	317,198	347,941

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

26. Property rates

Rates received

Residential, commercial property, state and farms	10,063,381	9,157,687
Less: Rebates	(3,979,404)	(3,685,355)
	6,083,977	5,472,332
Property rates - interest received	407,925	326,286
	6,491,902	**5,798,618**

Valuations

Residential	240,596,200	240,596,200
Commercial	82,958,100	84,455,000
State	40,513,500	40,513,500
Municipal	20,395,000	20,395,000
Small holdings and farms	2,504,656,000	2,504,656,000
Public Service Infrastructure (Zero Rated)	182,740,000	182,740,000
Public Benefit Organisations	4,826,100	4,826,100
Multiple purpose	485,000	485,000
Vacant land	21,576,000	21,576,000
	3,098,745,900	**3,100,242,800**

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2013. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

A general rate of R0.012722 (2017: R0.011890) is applied to property valuations to determine assessment rates. Properties used for domestic purposes and consisting of both land and improvements are subject to a R15 000 rebate. There are also different rebates and phased in tariffs for different sectors of the community.

Rates are levied on an annual basis with the final date for payment being 30 September 2018 (30 September 2017). Interest at prime plus 1% per annum.

The new general valuation implemented on 1 July 2018.

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

27. Government grants and subsidies

Operating grants		
Equitable share	18,198,000	16,138,000
Local Government Financial Management Grant	1,900,000	1,825,000
Expanded Public Works Program	1,000,000	1,000,000
Library Development Grant	1,480,844	1,978,396
National Treasury assistance	382,427	2,817,313
	22,961,271	**23,758,709**
Capital grants		
Municipal Infrastructure Grant	14,646,000	7,744,000
Integrated National Electrification Programme	1,000,000	1,600,000
Energy Efficiency and Demand Side Management Grant	2,000,000	-
Water Services Infrastructure Grant	3,807,872	70,209
	21,453,872	**9,414,209**
	44,415,143	**33,172,918**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	26,217,143	17,034,918
Unconditional grants received	18,198,000	16,138,000
	44,415,143	**33,172,918**

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.

Municipal Infrastructure Grant

Balance unspent at beginning of year	1,000	1,000
Current-year receipts	14,645,000	7,744,000
Conditions met - transferred to revenue	(14,646,000)	(7,744,000)
	-	**1,000**

Conditions still to be met - remain liabilities (see note 19).

This grant was used to construct municipal infrastructure to provide basic services for the benefit of the poor households. The conditions of the grants were met.

Local Government Financial Management Grant

Current-year receipts	1,900,000	1,825,000
Conditions met - transferred to revenue	(1,900,000)	(1,825,000)
	-	**-**

Conditions still to be met - remain liabilities (see note 19).

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

27. Government grants and subsidies (continued)

Integrated National Electrification Programme

Current-year receipts	1,000,000	1,600,000
Conditions met - transferred to revenue	(1,000,000)	(1,600,000)
	-	**-**

Conditions still to be met - remain liabilities (see note 19).

The purpose of this grant is to implement the Integrated National Electrification Programme by providing capital subsidies to municipalities to address the electrification backlog of occupied residential dwellings, and the installation of bulk infrastructure.

Expanded Public Works Program

Current-year receipts	1,000,000	1,000,000
Conditions met - transferred to revenue	(1,000,000)	(1,000,000)
	-	**-**

Conditions still to be met - remain liabilities (see note 19).

The purpose of this grant is to improve the quality of life of poor people and increase social stability through engaging the previously unemployed in paid and productive activities, to reduce levels of poverty, contribute towards increased levels of employment and improve opportunities for sustainable work through experience and learning.

Water Services Infrastructure Grant

Balance unspent at beginning of year	-	(70,209)
Current-year receipts	4,000,000	-
Conditions met - transferred to revenue	(3,807,872)	70,209
	192,128	**-**

The purpose of this grant is to develop infrastructure required to connect or a augment a water resource, to infrastructure serving extensive areas across municipal boundaries or large regional bulk infrastructure serving numerous communities over a large area with the municipality.

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

27. Government grants and subsidies (continued)

Library Development Grant

Balance unspent at beginning of year	389,809	292,206
Current-year receipts	1,667,000	2,076,000
Conditions met - transferred to revenue	(1,480,843)	(1,978,397)
	575,966	**389,809**

Conditions still to be met - remain liabilities (see note 19).

The grant is being used to support library services.

National Treasury assistance

Current-year receipts	382,427	2,817,313
Conditions met - transferred to revenue	(382,427)	(2,817,313)
	-	**-**

Conditions still to be met - remain liabilities (see note 19).

This grant relates to audit fees that were paid by National Treasury on behalf of the municipality.

Energy Efficiency and Demand Side Management Grant

Current-year receipts	2,000,000	-
Conditions met - transferred to revenue	(2,000,000)	-
	-	**-**

Conditions still to be met - remain liabilities (see note 19).

Provide explanations of conditions still to be met and other relevant information.

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, (Act 1 of 2015), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

28. Employee related costs

Bargaining council contributions	7,822	7,150
Basic	17,859,546	16,855,008
Bonus	1,346,912	1,213,955
Contributions for UIF, Pensions and Medical Aids	1,158,495	1,045,525
Leave pay provision charge	334,762	409,900
Long-service awards	124,851	136,797
Overtime payments	265,391	217,273
Post retirement medical aid expenses	51,693	49,725
SDL	215,244	180,570
Travel, motor car, accommodation, subsistence and other allowances	97,921	4,184
	21,462,637	**20,120,087**

Remuneration of the Municipal Manager: JJ Fortuin

Annual Remuneration	330,128	-
Car Allowance	72,467	-
Cell phone allowance	5,000	-
	407,595	**-**

Mr JJ Fortuin was appointed as the Municipal Manager from 01 February 2018.

Remuneration of the Municipal Manager: GW Von Mollendorf

Annual Remuneration	128,940	1,004,750
Bonus and leave payout	281,414	-
Car Allowance	15,863	117,309
	426,217	**1,122,059**

Mr GW Von Mollendorf's services as Municipal Manager were terminated on 30 June 2017.

Mr. BJ Swartland was appointed as the Acting Municipal Manager from 25 July 2017.

Remuneration of the Acting Municipal Manager: BJ Swartland

Annual Remuneration	133,451	-
Cell phone allowance	4,164	-
Housing allowance	15,484	-
	153,099	**-**

Mr BJ Swartland was appointed as the Acting Municipal Manager from 25 July 2017.

Mr BJ Swartland`s services as Acting Municipal Manager were terminated on 07 December 2017.

Remuneration of the Director Financial Services: SJ Myburgh

Annual Remuneration	814,024	754,928
Acting allowance	54,433	-
Car allowance	229,596	216,316
Cell phone allowance	12,000	12,000
	1,110,053	**983,244**

Mr Myburgh was acting as Municipal Manager for the period 01 July 2017 until 24 July 2017 and 08 December 2018 until 31 January 2018.

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

28. Employee related costs (continued)

Remuneration of the Director Technical: FJ Lötter

Annual Remuneration	611,941	577,024
Acting allowance	-	14,245
Car allowance	119,998	92,738
Cell phone allowance	12,000	12,000
	743,939	**696,007**

Mr Lotter acted as Municipal Manager during December 2016 and January 2017.

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

29. Remuneration of councillors

Mayor	790,385	718,216
Councillors	1,733,610	1,410,343
	2,523,995	**2,128,559**
JP Julies		
Basic Salary	-	68,983
Cell phone allowance	212	7,665
Vehicle allowance	-	2,254
	212	**78,902**
VC Wentzel - Mayor		
Basic salary	670,728	558,600
Cell phone allowance	44,920	62,067
Vehicle allowance	74,525	18,648
	790,173	**639,315**
JJ van der Colff		
Basic Salary	219,963	192,545
Cell phone allowance	45,432	21,394
Vehicle allowance	24,440	20,868
	289,835	**234,807**
MM van Wyk		
Basic Salary	844	20,793
Cell phone allowance	212	2,310
Vehicle allowance	94	2,254
	1,150	**25,357**
E Vermeulen		
Basic Salary	844	20,793
Cell phone allowance	212	2,310
Vehicle allowance	94	2,254
	1,150	**25,357**
G Beukes		
Basic Salary	844	20,793
Cell phone allowance	212	2,310
Vehicle allowance	94	2,254
	1,150	**25,357**
J Davids		
Basic Salary	219,963	192,545
Cell phone allowance	45,432	21,394
Vehicle allowance	24,440	20,868
	289,835	**234,807**
K Koopman		
Basic Salary	844	20,793
Cell phone allowance	212	2,310
Vehicle allowance	94	2,254
	1,150	**25,357**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

29. Remuneration of councillors (continued)

A Januarie		
Basic Salary	219,119	172,060
Cell phone allowance	42,520	19,118
Vehicle allowance	24,346	18,648
	285,985	**209,826**
G Klazen		
Basic salary	219,119	172,060
Cell phone allowance	45,220	19,118
Vehicle allowance	24,346	18,648
	288,685	**209,826**
J Jooste		
Basic salary	219,119	172,060
Cell phone allowance	42,520	19,118
Vehicle allowance	24,346	18,648
	285,985	**209,826**
JJ Jacobs		
Basic salary	219,119	172,060
Cell phone allowance	45,220	19,118
Vehicle allowance	24,346	18,648
	288,685	**209,826**

The municipal elections were held on 3 August 2016.

As a result the following councillors' services were terminated during the 2016/17 financial year: JP Julies, MM van Wyk, E Vermeulen, G Beukes and K Koopman.

The following councillors were newly appointed during the 2016/17 financial year: A Januarie, G Klazen, J Jooste, JJ Jacobs and VC Wentzel.

30. Finance costs

Actuarial interest	399,713	396,464
Long term borrowings	164,093	156,011
Provision for the rehabilitation of landfill sites	660,625	516,365
Trade and other payables	7,941	205,246
	1,232,372	**1,274,086**

31. Debt impairment

Debt impairment	1,926,084	3,782,643
Bad debts written off	-	762,040
	1,926,084	**4,544,683**

32. Bulk purchases

Electricity	8,132,660	8,181,846

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

33. Repairs and maintenance

Consumables	634,624	1,549,076
Service providers	592,668	216,025
Wages	1,361	13,960
	1,228,653	**1,779,061**

34. General expenses

Advertising	50,506	59,286
Audit committee fees	50,928	6,475
Auditors remuneration	1,993,669	2,230,762
Bank charges	274,745	241,081
Cleaning	35,205	27,095
Commission paid	262,208	185,896
Community development and training	28,938	8,965
Consultant fees	2,144,586	1,705,962
Consumables	25,350	1,937,135
Donations	102,633	48,249
Entertainment	6,924	9,858
Fuel and oil	584,738	542,189
Insurance	242,130	263,427
Internal audit	114,631	-
Library projects	13,240	16,226
Licence fees	-	109,389
Operating grant expenditure	430,613	1,186,530
Other expenses	831,738	170,078
Postage and courier	5,975	3,106
Printing and stationery	357,027	424,772
Refuse	101,330	98,245
Rehabilitation of landfill sites expense	2,426,614	1,904,925
Research and development costs	64,082	51,144
Security (Guarding of municipal property)	33,411	23,336
Software expenses	939,252	656,001
Staff welfare	54,455	112,972
Subscriptions and membership fees	-	503,373
Telephone and fax	92,588	161,866
Title deed search fees	180,683	163,616
Training	9,500	98,503
Transport and freight	4,959	1,633
Travel - local	1,504,472	1,055,402
	12,967,130	**14,007,497**

35. Financial instruments disclosure

Categories of financial instruments

2018

Financial assets

	At amortised cost	Total
Other receivables from exchange transactions	-	-
Receivables from non-exchange transactions	832,672	832,672
Receivables from exchange transactions	5,599,005	5,599,005
Cash and cash equivalents	2,414,449	2,414,449
Long term receivables	113,759	113,759
	8,959,885	**8,959,885**

Figures in Rand	2018	2017

. Financial instruments disclosure (continued)

Financial liabilities

	At amortised cost	Total
Other financial liabilities	2,105,963	2,105,963
Finance lease liability	268,202	268,202
Payables from exchange transactions	9,382,876	9,382,876
Consumer deposits	200,607	200,607
	11,957,648	**11,957,648**

2017

Financial assets

	At amortised cost	Total
Other receivables from exchange transactions	217,686	217,686
Receivables from non-exchange transactions	853,090	853,090
Receivables from exchange transactions	2,449,019	2,449,019
Cash and cash equivalents	3,520,298	3,520,298
Long term receivables	36,445	36,445
	7,076,538	**7,076,538**

Financial liabilities

	At amortised cost	Total
Other financial liabilities	2,346,902	2,346,902
Finance lease liability	473,509	473,509
Payables from exchange transactions	8,221,899	8,221,899
Consumer deposits	283,223	283,223
	11,325,533	**11,325,533**

36. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	1,223,258	11,179,464
Total capital commitments		
Already contracted for but not provided for	1,223,258	11,179,464

Total commitments

Total commitments		
Authorised capital expenditure	1,223,258	11,179,464

This committed expenditure relates to property, plant and equipment and will be financed by available bank facilities, retained surpluses, existing cash resources and government grants and subsidies.

Figures in Rand	2018	2017

37. Contingencies

2018:

None

2017:

SAMWU OBO Albert van Wyk vs KHM

Applicant is claiming unfair dismissal from the municipality. Costs will be determined by the court.

Duneco CC

Dispute regarding services rendered to the municipality. The estimated possible obligation amounts to R65 000.

Contingent assets

2018:

KHM vs L Nothnagel

A claim against L Nothnagel relating to Labour Court costs amounting to R1 090 911.

Marius Kirsten Botha

Kimberley High Court Matter for an amount of R540 240.

2017:

KHM vs L Nothnagel

A claim against L Nothnagel relating to Labour Court costs amounting to R1 090 911.

KHM vs SAMWU (A van Wyk)

Bargaining Council resolution in favour of KHM amounting R17 101.

Salary investigation (SALGA T-Scales)

Council to investigate the salary scales of employees due to audit finding. As Council is seeking legal advice the amount cannot accurately be presented.

CASE OF SAMWU VS KHM (JK MALHO)

Disciplinary case by municipality against an employee amounting to R6 618.

Marius Kirsten Botha

Kimberley High Court Matter for an amount of R540 240.

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

38. Related parties

Relationships

Accounting Officer	Refer to accounting officer's report note
Members of key management	S Myburgh
	F Lötter
Members of Council	VC Wentzel - Mayor
	M Davids
	A Januaries
	G Klazen
	J Jooste
	JJ van der Colff
	JJ Jacobs

Related party balances

Amounts included in Trade receivable (Trade Payable) regarding related parties		
M Davids	347	272
VC Wentzel	347	334
A Januaries	2,901	2,910
G Klazen	347	334
J Jooste	364	359
JJ Jacobs	-	322
GW Von Mollerndorf	-	539
JJ van der Colff	(227)	-
FJ Lotter	633	512
Amounts included in Receivables from non-exchange transactions		
Salary overpayment - F Lötter	12,965	18,965
JJ van der Colff	2,200	-

Related party transactions

Rates levied to Councillors 1 July to 30 June		
JJ Vermeulen	-	38
MM Van Wyk	-	2,791
JP Julies	-	151
K Koopman	-	646
G Klazen	121	138
AM Januarie	45	18
J Jooste	766	717
SM Davids	167	157
JJ Jacobs	420	98
JJ van der Colff	3,273	5,386
Service charges to Councillors levied 1 July to 30 June		
GW von Möllendorf	-	8,545
JJ Vermeulen	-	832
JP Julies	-	756
K Koopman	-	1,037
JS Beukes	-	790
G Klazen	2,609	3,401
AM Januarie	3,453	16,743
J Jooste	3,750	3,611
SM Davids	4,141	4,086
VC Wentzel	3,453	3,363
JJ Jacobs	3,453	3,307
Rates Charges to Key Management		
FJ Lotter	4,722	4,414

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

38. Related parties (continued)
Service Charges to Key Management

FJ Lotter	5,628	6,257

Remuneration of key management refer to note 28 of the annual financial statements.

39. Prior period errors

Correction of incorrect billing of rates for the 2016/2017 financial year, resulted in a overstatement of Receivables from non-exchange transactions amounting to R16 014.

Correction of incorrect billing of service charges and bad debts written of for the 2016/2017 financial year, resulted in a overstatement of Receivables from exchange transactions amounting to R1 493.

Correction of intangible assets cost price which resulted in a overstatement of intangible assets amounting to R17 331.

Correction of credit notes received relating to expenses of the 2016/2017 financial year resulted in a overstatement of payables from exhange transactions amounting to R18 294.

Correction of difference between sebata and BILLR relating to water deposits received resulting in understatement of consumer deposit amounting to R97 227.

Correction of difference between sebata and BILLR relating to water deposits received and correction of billing of services resulting in overstatement of service charges amounting to R95 431.

Correction of billing of services resulting in understatement of service charges amounting to R95 431.

Correction of incorrect billing of rates for the 2016/2017 financial year, resulted in a overstatement of Property rates amounting to R16 014.

Correction of credit notes received relating to expenses of the 2016/2017 financial year resulted in a overstatement of finance cost amounting to R7 963.

Correction of bad debts written of for the 2016/2017 financial year, resulted in a overstatement of Receivables from exchange transactions amounting to R13 475.

Correction of intangible assets cost price and Correction of credit notes received relating to expenses of the 2016/2017 financial year.Upgrading electric network - 15 new homes - WIP8 capitalised in 2016/2017 financial year. This was for Eskom connection fees and are corrected as operating connection costs, resulted in a understatment of general expenses amounting to R1 193 531.

Fraserburg paving project (Public Works) - WIP11 not capitalised in 2015/2016 financial year. First time recognition Other Assets. Corrected against Accumulated Surplus and Depreciation in 2016/2017.
First time recognition Land and Buildings. Corrected against Accumulated Surplus and Depreciation in 2016/2017.
First time recognition Infrastructure Assets. Corrected against Accumulated Surplus and Depreciation in 2016/2017.
The above resulted in a understatement of depreciation amounted to R154 53

Investment Property incorrectly disclosed as Land and Buildings under PPE. Corrected against Investment Properties which resulted in a understatement of investment property amounted to R4 531 645.

39. Prior period errors (continued)

Sutherland paving project (EPWP) - WIP9 not capitalised in 2015/2016 financial year. First time recognition. Corrected against Accumulated Surplus.
Fraserburg paving project (Public Works) - WIP11 not capitalised in 2015/2016 financial year. First time recognition. Corrected against Accumulated Surplus.
Sutherland Rebelskop Stormwater - I2 not capitalised in 2015/2016 financial year. First time recognition. Corrected against Accumulated Surplus
Upgrading electric network - 15 new homes - WIP8 capitalised in 2016/2017 financial year. This was for Eskom connection fees and are corrected as operating connection costs.
Investment Property incorrectly disclosed as Land and Buildings under PPE. Corrected against Investment Properties.
Land and Buildings in PPE identified not in the name of Karoo Hoogland Municipality and Land and Buildings not controlled by Karoo Hoogland Municipality due to Housing Scheme. Corrected against Accumulated Surplus.
First time recognition Other Assets. Corrected against Accumulated Surplus and Depreciation in 2016/2017.First time recognition Land and Buildings. Corrected against Accumulated Surplus and Depreciation in 2016/2017.
First time recognition Infrastructure Assets. Corrected against Accumulated Surplus and Depreciation in 2016/2017.
The above resulted in a overstatement of PPE amounting to R2 028 120.

Correction PPE & Invest Prop Cost 2016 and Acc depreciation which resulted in a understatement of accumulated surplus amounted to R3 844 560.

The following symbols will be used to indicate the change in accounts:
Assets: Decrease (-) Increase (+)
Liabilities: Decrease (+) Increase (-)
Income: Decrease (+) Increase (-)
Expenses: Decrease (-) Increase (+)
Equity: Decrease (+) Increase (-)

The correction of the errors results in adjustments as follows:

Statement of financial position		
Receivables from non-exchange transactions	-	(16,014)
Receivables from exchange transactions	-	(1,493)
Intangible assets	-	(17,331)
Payables from exchange transactions	-	18,294
Consumer deposits	-	(97,227)
Investment property	-	4,531,645
Property, plant and equipment	-	(2,028,120)
Accumulated surplus	-	(3,844,590)
Statement of Financial Performance		
Service charges	-	95,431
Rental of facilities and equipment	-	(10,186)
Property rates	-	16,014
Finance costs	-	(7,963)
Debt Impairment	-	13,475
General Expenses	-	1,193,531
Depreciation	-	154,534

40. Risk management

Financial risk management

The municipality’s activities expose it to a variety of financial risks: market risk (including fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

40. Risk management (continued)

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The table below analyses the municipality's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 30 June 2018	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Other Financial liabilities	329,437	300,551	1,202,205	751,378
Finance lease obligation	189,121	115,286	-	-
Payables from exchange transactions	9,382,876	-	-	-
Consumer deposits	200,607	-	-	-

At 30 June 2017	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Other Financial liabilities	350,069	329,437	1,202,205	1,051,929
Finance lease obligation	260,836	189,802	115,805	-
Payables from exchange transactions	8,221,899	-	-	-
Consumer deposits	283,223	-	-	-

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored.

Financial instrument	2018	2017
Cash and cash equivalents	2,414,449	3,520,298
Receivables from exchange transactions	5,599,005	2,449,019
Receivables from non-exchange transactions	832,672	853,090
Other receivables from exchange transactions	-	217,686

The municipality has not pledged any of the above assets as securities for any liabilities during the year or the previous year.

There were no material changes to the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The municipality's maximum exposure to to credit risk is represented by the carrying valyue of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained. The municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers.

Market risk

40. Risk management (continued)

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

At 30 June 2018, if interest rates on Rand-denominated borrowings had been 0.1% higher/lower with all other variables held constant, post-tax surplus for the year would have been R 23,742 (2017: R 28,204) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings; other components of equity would have been R 23,742 (2017: R 28,204) lower/higher mainly as a result of a decrease/increase in the fair value of fixed rate financial assets.

41. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continues to procure funding from National Treasury for the on-going operations for the municipality. The Municipality is aware that steps such as effective cash management procedures and effective debt collection procedures must be implemented to ensure its ability to meet its obligations and to increase its cash flow.

42. Events after the reporting date

No events after the reporting date occurred that requires disclosure.

43. Fruitless and wasteful expenditure

Fruitless and wasteful expenditure	2,323,842	2,067,166
Fruitless and wasteful expenditure - Current year	8,837	256,676
	2,332,679	**2,323,842**

All fruitless and wasteful expenditure incurred, are as a result of Interest and penalties on late payments to suppliers. No disciplinary actions were taken against officials responsible.

44. Irregular expenditure

Opening balance	32,906,763	27,105,403
Add: Irregular Expenditure - current year	6,299,369	5,801,360
	39,206,132	**32,906,763**

Details of irregular expenditure – current year

	Disciplinary steps taken/criminal proceedings	
Made use of a Supplier not registered on CSD	None	938
Quotations were not evaluated in accordance with Section 2 (1) (a) of the PPPF Act	None	6,298,431
		6,299,369

45. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	1,804,205	1,809,783
Current year subscription / fee	505,857	500,000
Amount paid - current year	-	(5,578)
Amount paid - previous years	(500,000)	(500,000)
	1,810,062	**1,804,205**

Distribution losses

Electricity distribution losses:

2018:

- Units purchased (Kwh)	6 211 306
- Units lost during distribution (Kwh)	789 772
- Percentage lost during distribution	12.72%

2017:

- Units purchased (Kwh)	6 369 088
- Units lost during distribution (Kwh)	1 001 482
- Percentage lost during distribution	15.72%

Water distribution losses:

2018:

- Kilo litres raw water input	291 280
- Kilo litres lost during distribution	22 095
- Percentage lost during distribution	7.59%

2017:

- Kilo litres raw water input	289 092
- Kilo litres lost during distribution	15 768
- Percentage lost during distribution	5.45%

Audit fees

Opening balance	943,442	4,803,384
Current year subscription / fee	2,377,238	2,798,042
Amount paid - previous years	(935,479)	(1,230,000)
Amount paid - current year	(916,183)	(900,000)
Amount settled by National Treasury	(382,427)	(3,211,737)
Amounts written off	(159,582)	(1,316,247)
	927,009	**943,442**

PAYE and UIF

Current year subscription / fee	3,791,202	3,206,832
Amount paid - current year	(3,791,202)	(3,206,832)
	-	**-**

45. Additional disclosure in terms of Municipal Finance Management Act (continued)

Pension and Medical Aid Deductions

Current year subscription / fee	3,001,967	2,695,059
Amount paid - current year	(3,001,967)	(2,695,059)
	-	-

VAT

VAT receivable	1,526,641	991,177

VAT output payables and VAT input receivables are shown in note 6.

All VAT returns have been submitted by the due date throughout the year.

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding at 30/06/2018.

No councillors had arrear accounts at 30 June 2017.

30 June 2018	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Giel Klazen	347	-	347
AM Januarie	347	2,554	2,901
J Jooste	364	-	364
SM Davids	347	-	347
VC Wentzel - Mayor	347	-	347
M Jacobs	347	-	347
	2,099	**2,554**	**4,653**

During the year the following Councillors' had arrear accounts outstanding for more than 90 days:

30 June 2018	Highest outstanding amount	Aging (in days)
AM Januarie	2,554	90

46. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.

Reason for deviation		
Sole suppliers	1,084,671	1,877,176
Emergency	475,661	610,217
Impractical	1,950,113	811,646
	3,510,445	**3,299,039**

47. Cash generated from operations

Surplus	12,757,262	73,466
Adjustments for:		
Depreciation and amortisation	8,863,736	7,202,227
Loss on derecognition of asset	(667,870)	281,879
Landfill Sites Rehabilitation Expense	2,426,614	1,904,925
Finance costs	1,224,431	1,303,254
Impairment deficit	29,670	28,347
Debt impairment	1,926,084	4,558,157
Movements in retirement benefit assets and liabilities	(70,287)	(459,732)
Movements in provisions	1,666,608	2,188,462
Inventory adjustment	(3,780)	(38,720)
Actuarial gain	(440,440)	(138,611)
Discount received	-	(1,274,484)
Changes in working capital:		
Inventories	101,202	(260,455)
Other receivables from exchange transactions	217,686	3,577
Receivables from exchange transactions	(5,192,673)	(4,200,270)
Other receivables from non-exchange transactions	(238,326)	(267,914)
Payables from exchange transactions	1,175,898	(1,462,272)
VAT	(535,464)	(634,563)
Unspent conditional grants and receipts	377,285	(27,394)
Increase/(Decrease) in Provisions	(82,616)	115,715
	23,535,020	**8,895,594**

48. Unauthorised expenditure

Unauthorised expenditure	96,827,336	85,127,558
Unauthorised expenditure current year - operating	9,552,938	11,699,778
	106,380,274	**96,827,336**

No disciplinary steps were taken during the year as a consequence of above expenditure.

49. Budget differences

Material differences between budget and actual amounts

49. Budget differences (continued)

Service charges

The actual subsidies on indigent customers are accounted for as a negative income, whilst it has been budgeted for as an expense.

Rental of facilities and equipment

Inaccurate budgeting of the current years budgeted amount.

Interest received (trading)

Inaccurate budgeting of the current years budgeted amount.

Agency services

The amount exceed the budget amount as the municipality did receive a letter from the Department of Transport indicating that the municipality will not render the service anymore.

Other income

Refund received from Lyners for duplicate payment made. Refund disclosed as other income.

Interest received - investment

Not material variance.

Property rates

Not material variances.

Property rates - interest received

Budgeted for under Property rates.

Government grants & subsidies

Not material variance.

Public contributions and donations

Not material amount.

Fines, Penalties and Forfeits

The budget amount includes penalties for property rates.

Employee related costs

Not material variance.

Remuneration of councillors

Due to the uncertainty of the upper limits for Councillors it make budgeting for this expenses difficult and over budgeting is rather preferred than under budgeting.

Depreciation and amortisation

The municipality cannot budget for the actual amount as this will have the impact that the municipality will budget for a deficit

49. Budget differences (continued)
which according to legislation is not permitted.

Impairment loss/ Reversal of impairments

Not material amount.

Finance costs

Finance cost for the rehabilitation of landfill sites were not budgeted for.

Debt impairment

No bad debts were wriiten off during the period, however the municipality budgeted for bad debts to be wriiten off.

Repairs and maintenance

Upgrading and additions of new assets had an effect of the amount spent on repairs and maintenance.

Bulk purchases

Not a material variance.

General Expenses

Over budgeting for the rehabilitation of landfill sites, legal fees, USD Toilets, Consultancy fees for the preparation of the AFS and correction of PPE based on the prior years audit opinion. Budgeted for subscription and membership fees which was not paid for during the year. WIP moved from expenses to assets which is budgeted for under expenditure. The subsidies for indigent consumers is also included in general expenses and the actuals were considered as a negative income.

Gain on disposal of Property, plant and equipement

The municipality cannot budget for the actual amounts as this will have the impact that the municipality will budget for a deficit which according to legislation is not permitted.

Actual gains/Losses

The municipality cannot budget for the actual amounts as experts are used to determine Long service awards and Post employment medical aid actuarial gains or losses.

APPENDIX A
KAROO HOOGLAND MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2018

EXTERNAL LOANS	Rate	Loan Number	Redeemable	Balance at 30 JUNE 2017	Correction	Balance at 30 JUNE 2017 Restated	Received during the period	Redeemed written off during the period	Balance at 30 JUNE 2018
LONG-TERM LIABILITIES									
DBSA	5%	102367/1	31-Dec-26	2,268,499	-	2,268,499	-	191,421	2,077,078
TOTAL EXTERNAL LOANS				**2,268,499**	**-**	**2,268,499**	**-**	**191,421**	**2,077,078**

APPENDIX B

ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2018

	Cost/Revaluation						Accumulated Depreciation				Carrying
	Opening Balance	Additions	Transfer in	Disposals	Closing Balance	Impairment	Opening Balance	Additions	Disposals	Closing Balance	Value
Land and Buildings											
Land	6,565,900.00	-	-	-	6,565,900.00	-	-	-	-	-	6,565,900.00
Buildings	6,437,446.26	-	-	-	6,437,446.26	-	1,260,991.90	124,492.59	-	1,385,484.49	5,051,961.77
	13,003,346.26	**-**	**-**	**-**	**13,003,346.26**	**-**	**1,260,991.90**	**124,492.59**	**-**	**1,385,484.49**	**11,617,861.77**
Infrastructure											
Electricity	21,612,297.99	3,416,241.37	-	1,217,255.05	23,811,284.31	20,908.03	5,613,145.64	795,580.45	568,387.16	5,840,338.93	17,950,037.35
Road Transport	56,909,748.34	625,063.08	-	-	57,534,811.42	-	28,232,154.20	2,690,611.29	-	30,922,765.49	26,612,045.92
Sanitation	28,089,576.27	-	-	-	28,089,576.27	-	2,874,197.36	468,518.77	-	3,342,716.12	24,746,860.15
Water Supply	68,442,769.17	2,864,198.40	-	42,682.96	71,264,284.60	28,346.67	11,296,471.85	1,557,436.42	25,275.96	12,828,632.31	58,407,305.62
Solid Waste Disposal	259,769.95	-	-	-	259,769.95	-	150,582.94	13,910.21	-	164,493.15	95,276.79
Stormwater	11,261,954.57	97,894.57	-	-	11,359,849.14	-	2,269,937.48	252,867.04	-	2,522,804.52	8,837,044.62
Work in Progress	9,298,823.44	9,251,584.97	-	-	18,550,408.41	-	-	-	-	-	18,550,408.41
	195,874,939.72	**16,254,982.39**	**-**	**1,259,938.01**	**210,869,984.10**	**49,254.71**	**50,436,489.47**	**5,778,924.18**	**593,663.12**	**55,621,750.53**	**155,198,978.86**
Community Assets											
Recreation Grounds	4,616,660.01	-	-	-	4,616,660.01	-	793,016.01	79,495.89	-	872,511.90	3,744,148.11
Civil Buildings	6,267,978.71	-	-	-	6,267,978.71	-	760,010.87	74,175.98	-	834,186.85	5,433,791.86
Libraries	1,639,571.58	-	-	-	1,639,571.58	-	196,847.22	19,218.88	-	216,066.10	1,423,505.48
Parks & Gardens	91,000.00	-	-	-	91,000.00	-	-	-	-	-	91,000.00
Public Conveniences/Bathhouses	154,590.15	-	-	-	154,590.15	-	13,734.61	1,310.02	-	15,044.63	139,545.52
Cemetary	106,954.00	-	-	-	106,954.00	-	9,920.92	971.16	-	10,892.08	96,061.91
Work in Progress C	1,162,285.41	4,619,504.75	-	-	5,781,790.16	-	-	-	-	-	5,781,790.16
	14,039,039.87	**4,619,504.75**	**-**	**-**	**18,658,544.62**	**-**	**1,773,529.63**	**175,171.94**	**-**	**1,948,701.57**	**16,709,843.05**
Heritage Assets											
Historical Buildings	-	-	-	-	-	-	-	-	-	-	-
Vehicles	-	-	-	-	-	-	-	-	-	-	-
Painting & Art Galleries	-	-	-	-	-	-	-	-	-	-	-
	-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total carried forward	222,917,325.85	20,874,487.14	-	1,259,938.01	242,531,874.98	49,254.71	53,471,011.01	6,078,588.70	593,663.12	58,955,936.59	183,526,683.68

APPENDIX B

ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2018

	Cost						Accumulated Depreciation				Carrying
	Opening Balance	Additions	Transfer in	Disposals	Closing Balance		Opening Balance	Additions	Disposals	Closing Balance	Value
Total brought forward	222,917,325.85	20,874,487.14	-	1,259,938.01	242,531,874.98	49,254.71	53,471,011.01	6,078,588.70	593,663.12	58,955,936.59	183,526,683.68
Leased Assets											
Office equipment (lease)	646,604.66	-	-		646,604.66		200,453.09	203,006.15	-	403,459.24	243,145.42
	646,604.66	**-**	**-**	**-**	**646,604.66**	**-**	**200,453.09**	**203,006.15**	**-**	**403,459.24**	**243,145.42**
Other Assets											
Airconditioning	299,136.09	13,666.67	-	-	312,802.76	-	83,860.22	24,941.61	-	108,801.83	204,000.93
Chairs	330,140.04	7,952.50	-	-	338,092.54	-	182,021.82	17,313.46	-	199,335.27	138,757.27
Compactor	15,000.00	-	-	-	15,000.00	-	9,382.72	702.16	-	10,084.88	4,915.12
Computer hardware	1,548,493.31	74,037.22	-	-	1,622,530.53	-	318,367.04	229,631.96	-	547,999.00	1,074,531.54
Concrete mixer	13,735.98	-	-	-	13,735.98	-	7,855.74	781.83	-	8,637.57	5,098.41
Electronic equipment	88,968.98	19,495.01	-	-	108,463.99	-	36,602.90	11,404.07	-	48,006.98	60,457.01
Extinguisher fire	120,321.50	-	-	-	120,321.50	-	68,743.05	5,837.46	-	74,580.50	45,741.00
Generator	39,001.68	-	-	-	39,001.68	-	8,608.65	3,163.64	-	11,772.29	27,229.39
Lawnmower	15,574.33	-	-	-	15,574.33	-	3,910.35	1,479.49	-	5,389.84	10,184.49
LDV	246,005.18	-	-	-	246,005.18	-	69,127.95	4,272.45	-	73,400.40	172,604.78
Mechanical equipment	1,973.98	-	-	-	1,973.98	-	1,212.25	137.74	-	1,349.99	623.99
Office equipment	166,092.68	-	-	-	166,092.68	-	41,798.65	23,046.81	-	64,845.46	101,247.23
Office furniture	411,323.99	7,209.26	-	-	418,533.25	-	152,590.74	14,545.70	-	167,136.44	251,396.81
Plant & Equipment	56,476.69	-	-	-	56,476.69	-	17,571.26	4,318.06	-	21,889.32	34,587.37
Pump equipment	20,523.10	-	-	-	20,523.10	-	9,721.98	1,080.11	-	10,802.10	9,721.00
Radio equipment	6,150.16	-	-	-	6,150.16	-	3,762.77	270.93	-	4,033.71	2,116.45
Recorder	872.60	-	-	-	872.60	-	472.18	40.04	-	512.22	360.38
Road work machinery	309,000.00	-	-	-	309,000.00	-	211,672.82	14,561.22	-	226,234.05	82,765.95
Sewerage truck	287,868.16	1,191,007.00	-	-	1,478,875.16	-	77,610.59	21,934.46	-	99,545.05	1,379,330.11
Tables and desks	286,372.87	18,967.18	-	-	305,340.06	-	107,710.30	11,697.19	-	119,407.49	185,932.57
Tools	98,980.15	-	-	-	98,980.15	-	38,805.30	7,203.35	-	46,008.64	52,971.51
Tracktor	472,327.87	-	-	-	472,327.87	-	83,503.72	124,599.86	-	208,103.58	264,224.29
Trailer	863,424.01	-	-	-	863,424.01	-	331,007.70	70,551.09	-	401,558.78	461,865.23
Truck flat bed	1,080,117.31	-	-	-	1,080,117.31	-	114,570.43	114,584.69	-	229,155.12	850,962.18
Tv and video equipment	918.03	-	-	-	918.03	-	511.58	40.64	-	552.23	365.80
Welding machine	1,034.69	-	-	-	1,034.69	-	647.21	48.43	-	695.64	339.04
	6,779,833.38	**1,332,334.84**	**-**	**-**	**8,112,168.22**	**-**	**1,981,649.92**	**708,188.45**	**-**	**2,689,838.37**	**5,422,329.85**
PPE	**230,343,763.89**	**22,206,821.98**	**-**	**1,259,938.01**	**251,290,647.86**	**49,254.71**	**55,653,114.01**	**6,989,783.31**	**593,663.12**	**62,049,234.20**	**189,192,158.95**

APPENDIX C

SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2018

	Cost						Accumulated Depreciation				Carrying
	Opening Balance	Additions	Transfer in	Disposals	Closing Balance	Impairment	Opening Balance	Additions	Disposals	Closing Balance	Value
Executive & Council	26,284,173.97	31,560.11	-	-	26,315,734.08	-	3,184,528.77	392,834.98	-	3,577,363.74	22,738,370.34
Budget & Treasury	2,115,197.84	62,179.74	-	-	2,177,377.58	-	526,660.51	308,711.35	-	835,371.86	1,342,005.72
Corporate Services	-	-	-	-	-	-	-	-	-	-	-
Planning & Development	66,650.38	-	-	-	66,650.38	-	31,957.27	3,299.77	-	35,257.03	31,393.34
Health	-	-	-	-	-	-	-	-	-	-	-
Community & Social Services	2,200,936.44	4,662,057.37	-	-	6,862,993.81	-	388,960.74	122,717.88	-	511,678.62	6,351,315.19
Housing	-	-	-	-	-	-	-	-	-	-	-
Public Safety	-	-	-	-	-	-	-	-	-	-	-
Sport & Recreation	108,549.56	-	-	-	108,549.56	-	8,581.02	4,453.07	-	13,034.09	95,515.47
Environmental Protection	-	-	-	-	-	-	-	-	-	-	-
Waste Management	-	-	-	-	-	-	-	-	-	-	-
Waste Water Management	29,116,036.93	-	-	-	29,116,036.93	-	3,033,138.88	535,020.07	-	3,568,158.95	25,547,877.97
Road Transport	70,217,746.31	2,440,314.65	-	-	72,658,060.97	-	31,183,424.54	3,175,118.32	-	34,358,542.86	38,299,518.11
Water	77,712,544.41	11,589,433.37	-	42,682.96	89,259,294.82	28,346.67	11,319,044.08	1,560,467.90	25,275.96	12,854,236.02	76,376,712.12
Electricity	22,521,928.06	3,421,276.74	-	1,217,255.05	24,725,949.75	20,908.03	5,976,818.20	887,159.98	568,387.16	6,295,591.03	18,409,450.68
TOTAL	**230,343,764**	**22,206,822**	**-**	**1,259,938**	**251,290,648**	**49,255**	**55,653,114**	**6,989,783**	**593,663**	**62,049,234**	**189,192,159**

APPENDIX C

SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2018

	Cost						Accumulated Depreciation				Carrying
	Opening Balance	Additions	Transfer in	Disposals	Closing Balance	Impairment	Opening Balance	Additions	Disposals	Closing Balance	Value
Administration	26,095,482.03	30,881.85	-	-	26,126,363.88	-	3,120,382.06	378,502.48	-	3,498,884.54	22,627,479.34
Councillor general expenditure	191,420.78	678.26	-	-	192,099.04	-	65,875.04	14,503.99	-	80,379.03	111,720.01
Director economical development	66,650.38	-	-	-	66,650.38	-	31,957.27	3,299.77	-	35,257.03	31,393.34
Director finance	2,112,820.91	62,179.74	-	-	2,175,000.65	-	525,174.93	135,766.29	-	833,737.72	1,341,262.93
Electricity	22,521,928.06	3,421,276.74	-	1,217,255.05	24,725,949.75	20,908.03	5,976,818.20	887,159.98	568,387.16	6,295,591.03	18,409,450.68
Library	824,177.69	42,552.62	-	-	866,730.31	-	277,372.87	111,733.61	-	389,106.48	477,623.84
Parks.trees and recreation	1,270,834.97	4,619,504.75	-	-	5,890,339.72	-	8,581.02	4,453.07	-	13,034.09	5,877,305.63
Sanitation	29,116,036.93	1,191,007.00	-	-	30,307,043.93	-	3,033,138.88	545,339.17	-	3,578,478.05	26,728,565.87
Streets & public works	70,217,746.31	1,249,307.65	-	-	71,467,053.97	-	31,183,424.54	3,164,799.22	-	34,348,223.76	37,118,830.21
Townhall and buildings	214,121.42	-	-	-	214,121.42	-	111,345.12	10,961.32	-	122,306.44	91,814.97
Water	77,712,544.41	11,589,433.37	-	42,682.96	89,259,294.82	28,346.67	11,319,044.08	1,560,467.90	25,275.96	12,854,236.02	76,376,712.12
TOTAL	**230,343,764**	**22,206,822**	**-**	**1,259,938**	**251,290,648**	**49,255**	**55,653,114**	**6,816,987**	**593,663**	**62,049,234**	**189,192,159**

APPENDIX D
KAROO HOOGLAND MUNICIPALITY
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grant Description	Balance at 1 July 2017	Contributions during the year	Operating Expenditure during the year Transferred to Revenue	Capital Expenditure during the year Transferred to Revenue	Total Expenditure during the year Transferred to Revenue	Grants Withheld	Balance at 30 June 2018	Unspent 30 June 2018 (Creditor)	Unpaid 30 June 2018 (Debtor)
	R	R	R	R		R	R	R	R
UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS									
National Government Grants									
Integrated Electrification Programme	-	1,000,000	-	1,160,776	1,000,000	-	(160,776)		(160,776.49)
Financial Management Grant	-	1,900,000	1,900,000	-	1,900,000	-	-	-	-
Municipal Infrastructure Grant	1,000.00	14,645,000		14,838,928	14,646,000		(192,928)	-	(192,928.28)
Municipal Systems Improvement Grant	-	-			-	-	-	-	-
Energy Efficiency and Demand Side Managem	-	2,000,000	1,483,141	750,103	2,000,000	-	(233,244)	-	(233,243.70)
Water Services Infrastructure Grant	-	4,000,000	178,808	3,629,064	3,807,872	-	192,128	192,128	
Total National Government Grants	**1,000**	**23,545,000**	**3,561,949**	**20,378,872**	**23,353,872**	**-**	**(394,821)**	**192,128**	**(586,948.47)**
Provincial Government Grants									
Expanded Public Works Programme	-	1,000,000	702,907	298,542	1,000,000	-	(1,449)	-	(1,448.66)
Library Services	389,809	1,667,000	1,480,844	-	1,480,844	-	575,966	575,966	-
Total Provincial Government Grants	**389,809**	**2,667,000**	**2,183,750**	**298,542**	**2,480,844**	**-**	**574,517**	**575,966**	**(1,448.66)**
Other Grants									
District Municipality Surplus funds	-	-	-	-	-	-	-	-	-
NALA	-	-	-	-	-	-	-	-	-
Total Other Grants	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Equitable Share	-	18,198,000	18,198,000	-	18,198,000	-	-	-	-
TOTAL GOVERNMENT GRANTS	**390,809**	**44,410,000**	**23,943,699**	**20,677,414**	**44,032,716**	**-**	**179,696**	**768,094**	**(588,397.13)**